



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
STATE AUDITOR

April 8, 2019

Financial Audit Management Report

Marshall Fisher, Commissioner
Mississippi Department of Public Safety
P.O. Box 958
Jackson, MS 39205

Dear Commissioner Fisher:

Enclosed for your review is the financial audit finding for the Mississippi Department of Public Safety for the Fiscal Year 2018. In this finding, the Auditor's Office recommends the Mississippi Department of Public Safety strengthen controls over the segregation of duties and the approval process of employee time records in the Statewide Payroll and Human Resource System (SPAHRs).

Please review the recommendations and submit a plan to implement them by April 18, 2019. The enclosed finding contains more information about our recommendations.

During future engagements, we may review the finding in this management report to ensure procedures have been initiated to address the finding.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Mississippi Department of Public Safety's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mississippi Department of Public Safety's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi Department of Public Safety to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Public Safety throughout the audit.

If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is fluid and cursive.

Stephanie C. Palmertree, CPA, CGMA
Director, Financial Audit and Compliance Division
Enclosures

FINANCIAL AUDIT MANAGEMENT REPORT

The Office of the State Auditor (OSA) conducts the annual audit of the State of Mississippi's *Comprehensive Annual Financial Report (CAFR)*, as compiled and prepared by the Department of Finance and Administration for the fiscal year ended June 30, 2018. While OSA has not been engaged to audit your agency's financial accounting records and processes individually, we have been engaged by DFA to audit the State as a whole in accordance with Government Auditing Standards. We conducted this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

Internal Control over Financial Reporting

In planning and performing our audit of the State of Mississippi's CAFR, we considered the Mississippi Department of Public Safety's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the significant accounts selected, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Mississippi Department of Public Safety's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, identified in this letter as item 2018-14, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Public Safety are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

SIGNIFICANT DEFICIENCY

<u>Finding Number</u>	<u>Finding and Recommendation</u>
2018-014	<u>Controls Should be Strengthened Over the Segregation of Duties and the Approval Process of Employee Time Records in the Statewide Payroll and Human Resource System (SPAHRS).</u>
Repeat Finding	No.
Criteria	<p><i>The Internal Control – Integrated Framework</i> published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the <i>U.S. Government Accountability Office Standards for Internal Control in the Federal Government</i> (Greenbook) specify that a satisfactory control environment is only effective when control activities, such as proper segregation of duties, exist and are effective.</p> <p>Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within SPAHRS to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.</p> <p><i>The State of Mississippi’s Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual</i> Section 30 – Internal Control states that each state agency implement a system of internal control in accordance with the principles of COSO, including having a proper control environment.</p>
Condition	<p>During testwork performed for fiscal year 2018, including an assessment of the internal controls of the Statewide Payroll and Human Resource System (SPAHRS), we noted the following:</p> <ul style="list-style-type: none">• Seven users that had access to both the human resource/recording function (PHUSR02C) and the payroll/authorization function (PHUSR03); and• Three out of twenty employees whose time data was not approved.
Cause	There are inadequate controls surrounding SPAHRS’ segregation of duties, as well as the approval process for hourly employee time data.

Effect Failure to properly segregate duties and review and approve employee time worked greatly increases the risk of fraud, misappropriation of assets, inappropriate changes to data or files and unauthorized activity which can result in misstatement of financial position.

Recommendation We recommend the Mississippi Department of Public Safety implement the following:

- Processes to review individuals who have been granted access to SPAHRS to ensure that access to the payroll function and the human resource function have been appropriately authorized and to implement compensating controls when proper segregation of duties is not practical; and
- Process to ensure all time data input into SPAHRS is approved before and after being entered in the system.

End of Report



STATE OF MISSISSIPPI
PHIL BRYANT, GOVERNOR
DEPARTMENT OF PUBLIC SAFETY
MARSHALL L. FISHER, COMMISSIONER

FINANCIAL AUDIT FINDINGS
or
OTHER AUDIT FINDINGS
or
COMPLIANCE REVIEW FINDINGS

April 15, 2019

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

Dear Mr. White:

We are constantly striving to improve the operation of our department. We extend our appreciation to you and your staff for providing us assistance to that end. We also extend our appreciation for the professional manner in which your staff conducted itself.

AUDIT FINDINGS:

2018-014 Controls Should be Strengthened Over the Segregation of Duties and the Approval Process of Employee Time Records in the Statewide Payroll and Human Resource System (SPAHRS).

Response: We agree with this finding.

Corrective Action Plan:

- A. We certainly understand the value of internal controls and the specific internal control of Segregation of Duties. Virtually immediately, we instituted measures to solve the Segregation of Duties portion of the finding by changing the SPAHRS access level of certain employees. Subsequently, we learned there are multiple Read Only access options available and we will pursue those in the immediate future. We are coordinating with our agency security contact to establish the appropriate access.

April 15, 2019
Shad White, State Auditor
Responses/Corrective Action Plan

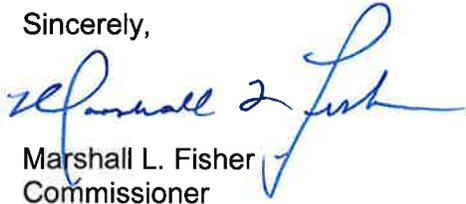
With respect to the approval process portion of the finding, our Human Resources Office has instituted a check and balance measure within the time and attendance system in order to decrease the risk of fraud, misappropriation of assets, inappropriate changes to data, and unauthorized activity.

- B. The SPAHRS security contact is Natalie Holmes, Human Resources Director, email, nholmes@dps.ms.gov or phone, (601) 987-1453.
- C. As mentioned in A. above, we modified the access virtually immediately upon notification of the impending finding and resolved the time approval process in like fashion.
- D. N/A.

Again, we thank you for assisting us in making our operations at DPS better. We are serious about our role as stewards of the taxpayers' resources.

Point of Contact for this response is Mark Valentine, Comptroller at email, mvalentine@dps.ms.gov or phone, (601) 987-1452.

Sincerely,



Marshall L. Fisher
Commissioner